Part I – Release to Press

Stevenage
BOROUGH COUNCIL

Meeting	**EXECUTIVE**
Portfolio Area	Resources/Housing
Date	**12 DECEMBER 2017**

DRAFT HRA RENT SETTING AND BUDGET REPORT

KEY DECISION

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1. PURPOSE

1.1 To update Members on the draft proposals on the HRA budgets and rent setting for 2018/19, to be considered by Council on 30 January 2018.

1.2 To propose the HRA rents for 2018/19.

1.3 To propose the HRA service charges for 2018/19.

1.4 To update Members on the 2017/18 and 2018/19 HRA budget, incorporating the Financial Security options, growth bids and fees and charges included in the November Financial Security report, together with any revised income and expenditure assumptions identified since that report.

2. RECOMMENDATIONS

2.1 That HRA dwelling rents not subject to the 1% rent reduction (currently Low Start Shared Ownership LSSOs) be increased, week commencing 2 April 2018 by 4% i.e. £4.37 per week which has been calculated using the existing rent formula, CPI +1% in line with the Rent and Service Charge Policy approved at the January 2017 Council.

2.2 That it be noted that HRA dwelling rents, (other than those outlined in 2.1) are subject to the 1% rent reduction from week commencing 2 April 2018 or

£0.96 and £1.62 per week for social and affordable rents respectively, as outlined in the Government's Welfare Reform and Work Act 2016.

2.3 That the draft 2018/19 HRA budget be approved, as set out in Appendix A. This may be subject to change as a result of consultation and the finalisation of recharges from the General Fund.

2.4 That the final HRA rent setting budget for 2018/19 be presented to the Executive on the 23 January 2018 and then Council on 30 January 2018.

2.5 That key partners and other stakeholders be consulted and views fed back into the 2018/19 budget setting process.

3. BACKGROUND

3.1 In November 2017, the Executive approved a revised HRA Business Plan which was an update on earlier versions approved in 2016 and 2014. Since the initial 2014 Business Plan update, the projections have undergone a number of reiterations, mainly due to the significantly negative financial impact on the HRA of the four year 1% rent reduction and other government legislation in the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016. Members will be aware that the single biggest financial impact on the HRA was the four year rent reduction with an estimated £225Million loss of income over a 30 year period. 2018/19 represents year three of the four year rent reduction.

3.2 The Government has indicated that after 2019/20 rent increases will be based on the formula CPI+1%. If this policy had been in force for 2018/19 this would have equated to a 4% rent increase rather than the 1% rent reduction for social and affordable rents for the coming year.

3.3 In terms of other Government legislation the financial landscape still looks uncertain for housing. Firstly, the introduction of Higher Value Asset levy on councils was deferred in 2017/18 and as of yet no decision has been announced on its introduction for 2018/19. However, the 2017 Autumn statement confirmed that the government will proceed with a £200 million large scale regional pilot of the Right to Buy for housing association tenants in the Midlands. The Autumn budget costs, include a £85m sum for this pilot in 2019/20, but the accompanying policy costings document doesn't explain how this has been arrived at. The HRA business plan to the September Executive had assumed a cost of £732K to the HRA in 2018/19 and for the 30 year business plan a total cost of £29Million.

3.4 Secondly the end of lifetime tenancies, replaced with a two to five year fixed term (with some exceptions). The DCLG had indicated it was ready to consult prior to General Election but this hasn't materialised since then and there has been no decision on an implementation date. Both of these Government initiatives require the approval of regulations by Parliament.

3.5 In summary the current regulations in force require the Council to set a 1% rent reduction for social and affordable rents, the exception being low start shared ownership (LSSOs). There are 90 LSSO properties which equate to 85 full house equivalents. Any service charges can be charged at cost and sit outside the rent reduction regulations.

3.6 The total number of HRA homes in management at the 30 September 2017 is summarised in the table below. The average rents for 2018/19 are based on this housing stock, however any right to buys or new schemes subsequent to the 30 September may change the average rent per property type.

Stock Numbers at 30/9/2017	Social	Affordable	Sheltered	LSSO	Homeless	Total
Number of Properties at 30/9/2017	6,857	10	863	85	130	7,945

3.7 The HRA Business Plan presented to the September Executive has been adjusted for the Financial Security Options and Fees and Charges approved at the November Executive. A summary of the assumptions for the budget are shown in the table below.

Financial Assumptions included in the HRA BP and November FS report	2017/18	2018/19
Rent & Service Charge Increases	1% rent reduction for general stock and 1%+CPI (3%) for LSSO's and relets to formula rent	
New Build	50% Affordable 50% Social	
Right-to-Buys	42	50
Bad debt rates	0.60%	0.60%
2018/19 Financial Security options	0	(£225,959)
2018/19 Growth bids	£154,751	£365,092
New Build - Number of Units (HRA BP)	56	37
Repayment of Debt	3,741,000	0
New loans	3,500,000	
Capital Deficit in the Business Plan	0	0

3.8 The Budget and Policy Framework Procedure Rules in the Constitution, prescribe the Budget setting process, which includes a minimum consultation period of three weeks. Under Article 4 of the Constitution, the Budget also includes: the allocation of financial resources to different services and projects; proposed contingency funds; setting the rents; decisions relating to the control of the Council's borrowing requirement; the control of its capital expenditure; and the setting of virement limits. The timescale required to implement this process is outlined overleaf.

Date	Meeting	Report
Dec-17	Executive	Draft HRA 2018/19 Budget (incorporating Financial Security Options)
	Overview and Scrutiny	Draft HRA 2018/19 Budget (incorporating Financial Security Options)
Jan-18	Executive	Final HRA 2018/19
	Overview and Scrutiny	Final HRA 2018/19 Budget
	Council	Final HRA 2018/19

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Rents

4.1.1 The continuing impact of the 1% rent reduction on an average rent is illustrated in the table below. Over the four year period a CPI+1% increase is estimated to be a 10.78% increase in average rents, compared to a 3.94% loss of a 1% rent reduction for four years. This gives an overall difference between the two rents of 14.73% and an estimated rent loss per year by year four of £5.9Million and in total £12.6Million. The impact over a 30 year business plan has been estimated at £225Million.

Impact of 1% rent reduction (starting rent £98.59)	2016/17	2017/18	2018/19	2019/20	Incr.(decr.) 4 years £	Incr./(decr.) 4 years
Rent based on CPI+1%	£99.48	£101.47	£105.53	£109.22		
Increase per year	£0.89	£1.99	£4.06	£3.69	£10.63	10.78%
Rent with 1% rent reduction	£97.60	£96.62	£95.66	£94.70		
Decrease per year	(£0.99)	(£0.98)	(£0.97)	(£0.96)	(£3.88)	(3.94%)
Overall loss per average property	£1.88	£4.84	£9.87	£14.52	£31.11	**(14.73%)**
Rent loss in £'000	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**Incr.(decr) 4 years £**	
Estimated rent loss per year £'000	£771	£1,960	£3,975	£5,940	£12,647	

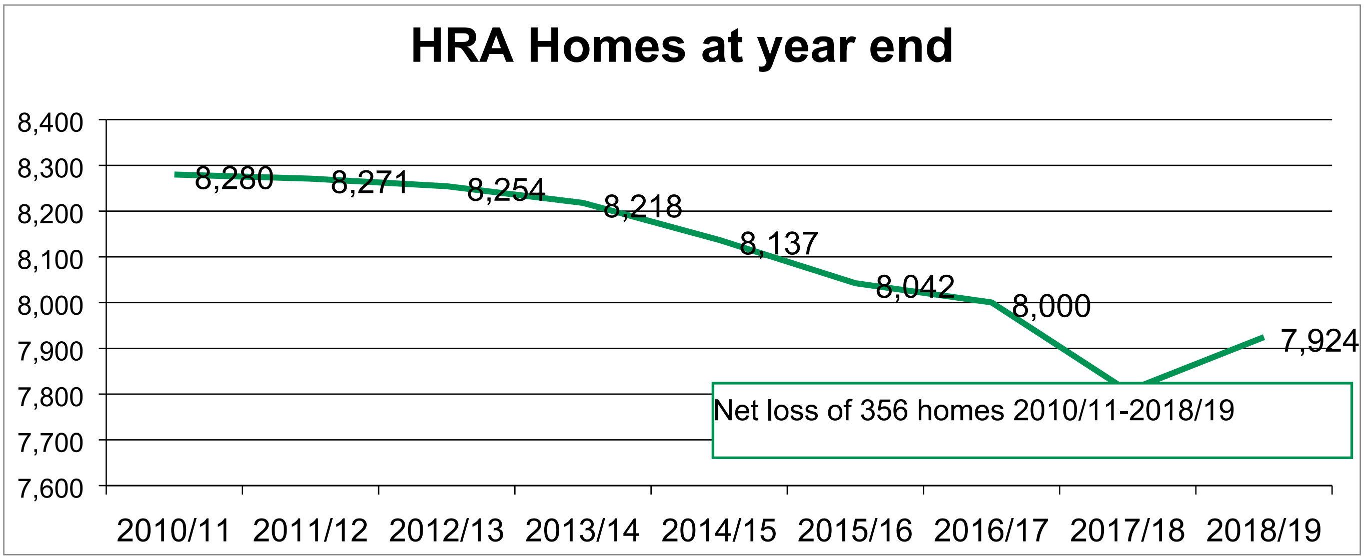
4.1.2 The legislation governing the rent reduction states that it should be based on a tenant's rent in the 12 months prior to the first relevant year. The starting point should be the rent on 8 July 2015 – the date on which the intention to legislate regarding rent reductions was announced. The link to rent on 8 July 2015 was an anti-avoidance provision. There are a few exceptions to that including where no tenancy existed (new properties etc.), however in accordance with the Act it ensures that rents for tenancies beginning after the 8 July 2015 will track down in parallel with those of established tenancies.

4.1.3 The exceptions to the 1% rent reduction for Stevenage Borough Council, is Low Start Shared Ownership properties (LSSOs). The Council has 90 LSSO properties and owns 85 full house equivalents. This report recommends that these rents are set in line with the rent policy CPI+1% or a 4% increase for 2018/19, (2017/18 increase 2%).

4.1.4 The proposed average rents for 2018/19 are set out in the table below, there are currently 10 affordable rented properties (ranging from 4 bedroom-2 bedroom houses and flats).

Average Rents 2018/19	LSSO	Incr./ (decr.) %	social	Increase/ (decrease) %	Affordable *	Incr./ (decr.) %
Average Rent 2017/18	£109.18		£96.71		£161.83	
Add rent impact 2018/19	£4.37	4.00%	(£0.96)	(1.00%)	(£1.62)	(1.00%)
Total 52 week Rent 2018/19	**£113.55**		**£95.75**		**£160.21**	

4.1.5 The net rental income decrease for 2018/19 is estimated to be £570,000, which includes the impacts of the rent reduction and estimated right to buys, offset by estimated new properties. The total number of properties in management is estimated to have reduced by 356 homes between 2010/11 and 2018/19, the 2017/18 numbers have been temporarily impacted by sheltered properties out of management ready for scheme redevelopment.

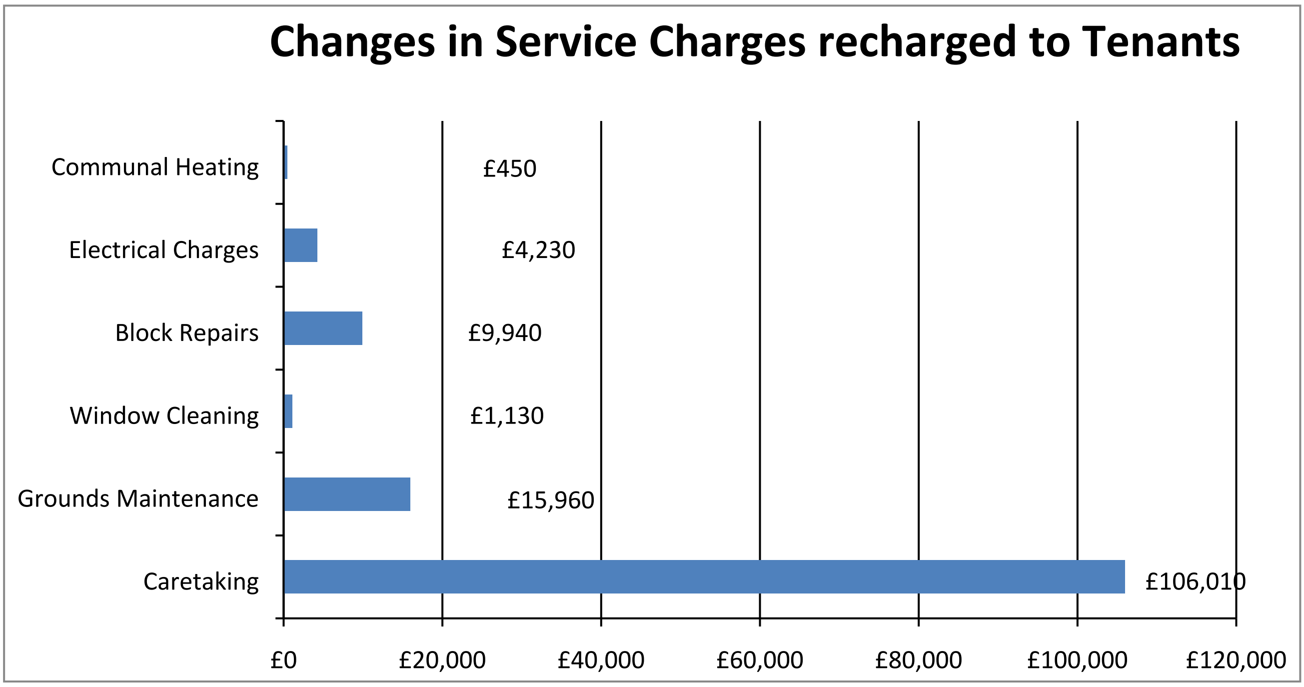


4.2 Service Charges

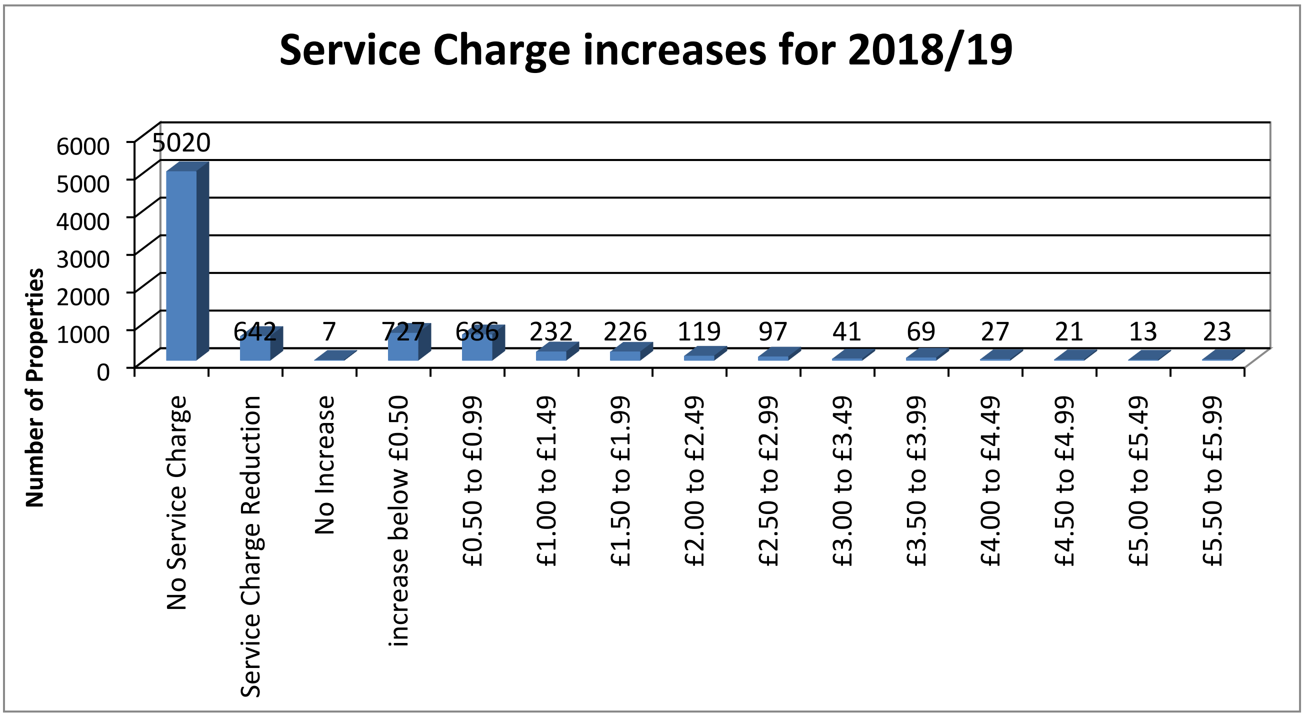
4.2.1 Service charges are calculated for each block individually for 2,925 properties, (2017/18 2,885) or 37% of current SBC tenanted properties. A review of service charges was trailed in the 2017/18 HRA rent setting report, however the review was not concluded in time for the 2018/19 rent setting and still requires tenant and Member consultation. Service charges currently provided, (eligible for housing benefit) are shown below.

Service Charges:
Caretaking
Grounds maintenance
Window cleaning
Block repairs (including pest control)
Electrical charges
Communal heating

4.2.2 Service charges are not subject to the 1% rent reduction regulations, but are based on cost recovery. For 2018/19, service charge costs will increase with inflationary pressures and changes in usage. For 2018/19 caretaking costs have increased by £106,010. The reason for the increase is because historically reactive work undertaken by the caretakers has not been charged to tenants and leaseholders, meaning that only 58% of caretaking costs have been recovered. Including the reactive work (not on the normal schedule for removal of debris etc.) in chargeable time means that 84% compared to 58% of productive hours are estimated to be paid for in 2018/19.



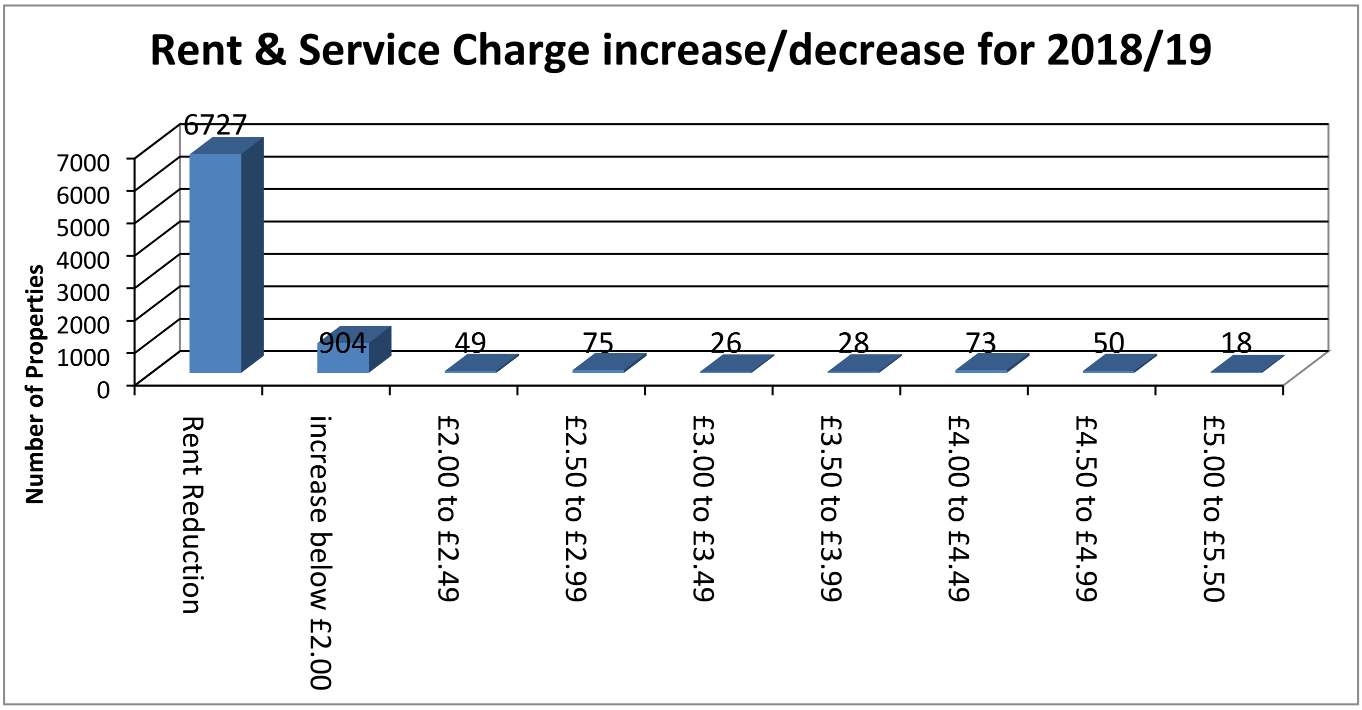
4.2.3 The spread of service charge increases for all tenants in 2018/19 is shown in the chart below. The impact of the increase in service charges (including caretaking), means 1,376 homes will receive a service charge increase of less than £0.50, but 23 properties have an increase of between £5.00-£5.99 per week, 642 properties with a service charge reduction and 7 properties will have no increase.



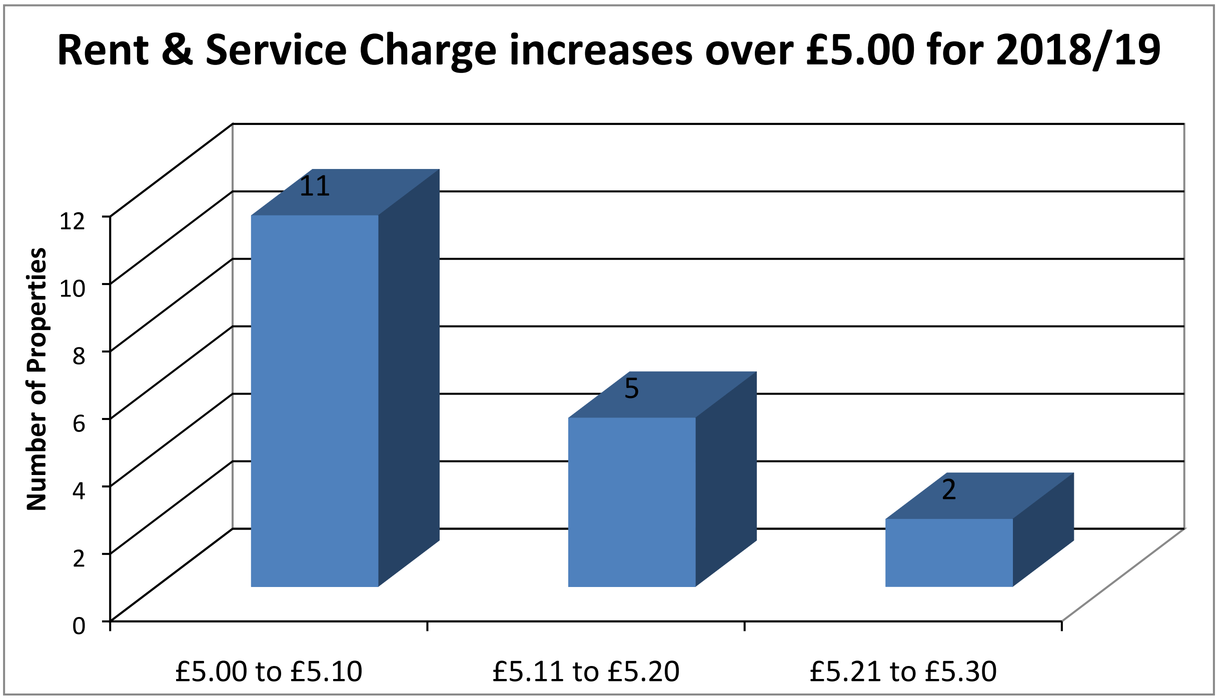
**includes LSSO in total not reduced for the share owned by the tenant*

4.3 Rents and Service Charges

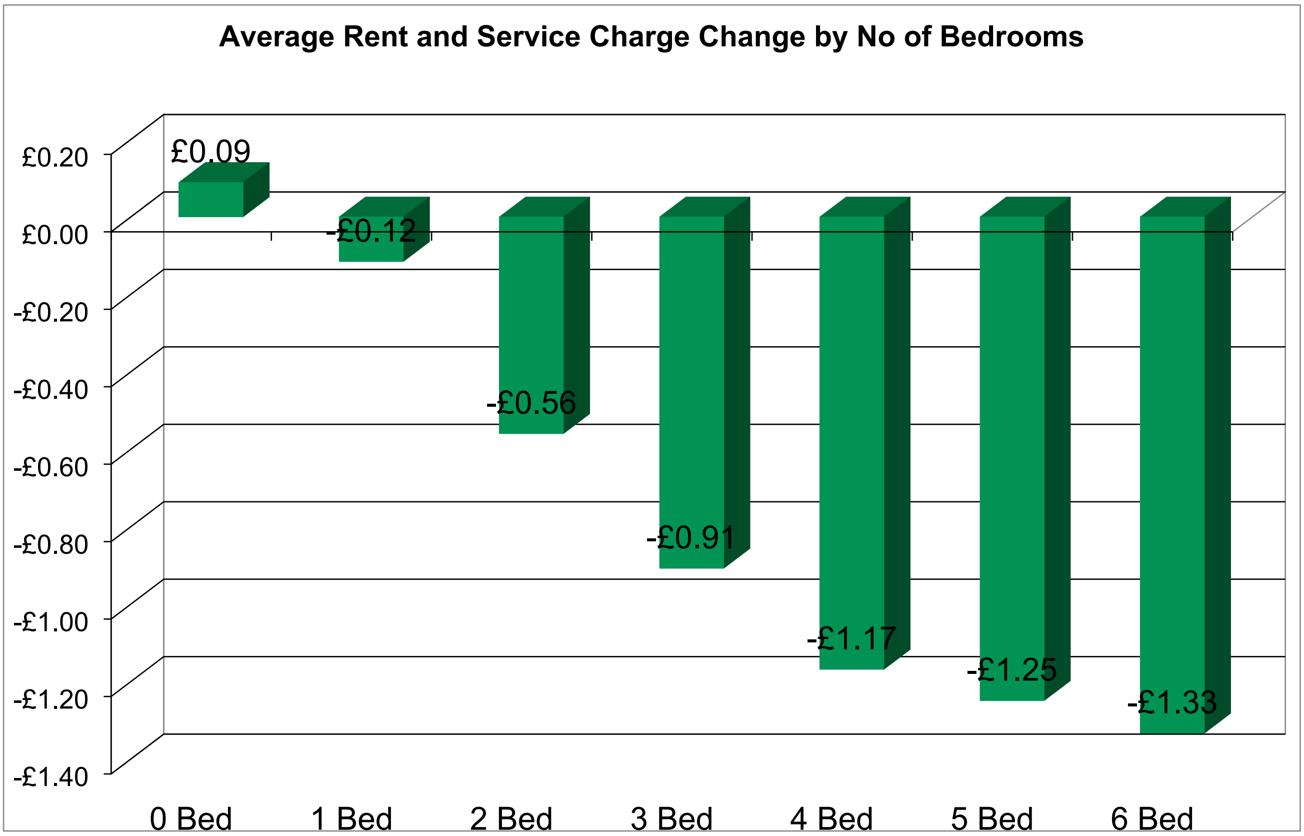
4.3.1 There are 6,727 or 84.6% of council tenants compared to 91.6% in 2017/18 receiving a rent and service charge reduction. The spread of the 2018/19 rent and service charge changes are summarised in the chart below.



4.3.2 There are 18 properties with an increase in excess of £5.00 with two properties estimated to have an increase of between £5.21 and £5.30. A summary of these properties is shown in the chart below.



4.3.3 The average rent and service charge increase/(decrease) by bedroom size has also been calculated and summarised in the chart below.



4.3.4 The comparison between HRA property rents and private sector rents for one to four bedroom properties is shown in the chart below. A three bedroom private sector rental property costs an additional 138%, (2017/18,147%) more per week than a SBC council home and 38% more than the affordable let properties,(2017/18 44%).

	SBC Social Rent	SBC Affordable Rent	Median Private Rent	Local Housing Allowance (LHA)	Median % v SBC Social	Median % v SBC Affordable
1 Bed Property	£81.57	£119.92	£184.00	£126.03	126%	53%
2 Bed Property	£95.07	£153.38	£219.00	£155.37	130%	43%
3 Bed Property	£106.25	£182.75	£253.00	£192.05	138%	38%
4 Bed Property	£117.19	£225.82	£299.00	£245.96	155%	32%

Private rent Data from Home track housing intelligence system re Oct-16 to Nov-17 (Updated Nov 2017)
SBC rents are 2018/19 and the private rents are 2017/18 rents

4.3.5 **The Local Housing Allowance (LHA)** shown in the table above is the maximum amount of housing benefit payable by property size for private rented properties.

4.4 Supported Housing Income and Expenditure

4.4.1 Included in the approved 2014, 2016 and 2017 HRA Business Plan approved by was an assumption that £100,000 of Supported Housing charges would be recovered either from lower costs or higher charges in the period 2016/17-2018/19.

4.4.2 The business plan was trying to address the removal of supporting people grant, (paid via the County Council), of which £386,000 had been removed by 2015/16. Furthermore the cost of the service in 2015/16 was a net charge to the HRA of some £656,000, so even with grant funding the cost of the service was not met. This has meant that the cost of this service (apart from some self-funders) is being met from the HRA which with the current financial constraints is not sustainable.

4.4.3 Since 2015/16 a number of income increases have been introduced together with service cost reductions which lowered the cost of the service by £149,790 in 2017/18, (fee increases accounted for £22,250). In 2018/19 further options have been considered (subject to consultation) and included in the November Executive report.

4.5 Borrowing

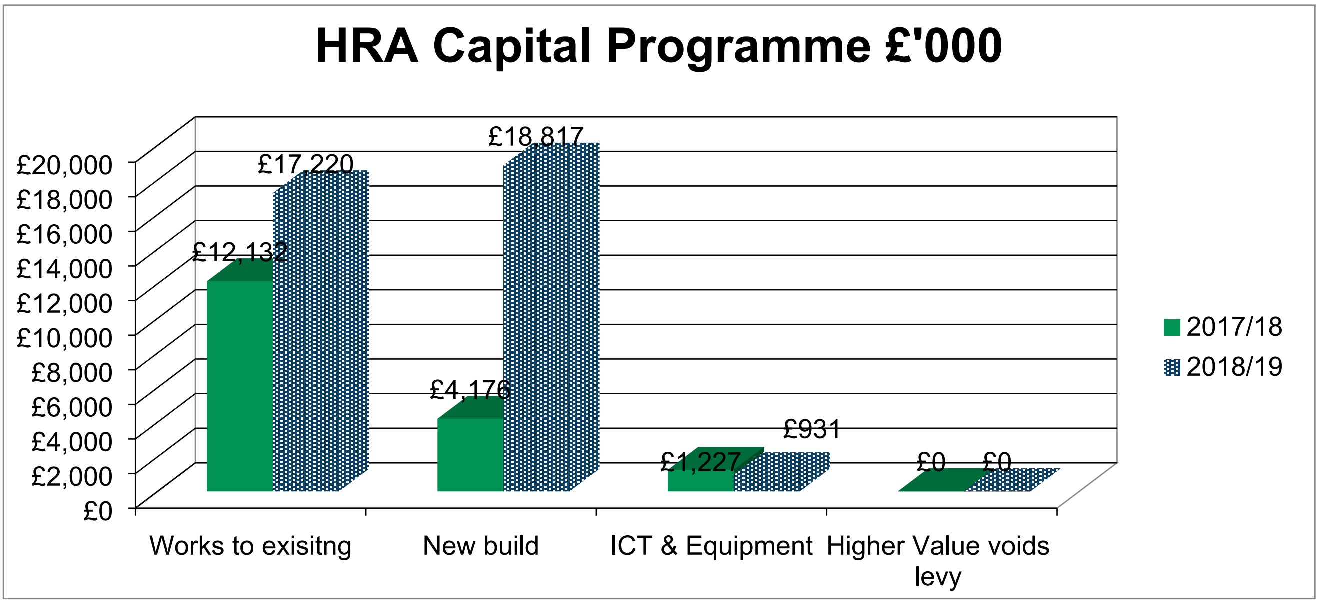
4.5.1 The HRA business plan's existing loans are an average interest rate of 3.40% based £206.174Million of borrowing. The current business plan makes allowance for new loans totalling £3,500,000 in 2017/18, together with debt repayments in this year of £3,741,000. The decision when to take the new borrowing will be reviewed, weighing up the cost of carry and the prevailing PWLB rates. The interest payable in 2017/18 and 2018/19 is estimated to be £7,017,260 and £6,960,140.

4.6 Contributions to Capital Expenditure

4.6.1 A large part of the capital programme is funded from HRA revenue resources, however in 2017/18 there was only a small revenue contribution to capital (RCCO) of £60,230 in the HRA. The contribution increases considerably in 2018/19 due to the size of the capital programme and is £7,540,240 for 2018/19. The 2018/19 capital programme is £36,967,750 compared to the 2017/18 capital programme of £17,535,250, an additional £19,432,500 of works. This includes the Major Repairs contract on flat blocks.

4.6.2 The 2018/19 capital programme does not include any higher value voids levy, (estimated to be £732,000 in 2018/19). This has currently been excluded as the Autumn statement published in November confirmed the government will be proceeding with a large scale regional pilot of the Right to Buy for housing association tenants in the Midlands and the likelihood is that this will inform future government policy and will delay its wholesale introduction. If the charge is introduced in 2018/19 then the programme will need to be revised increasing resources required for the programme.

4.6.3 The 2018/19 budgeted depreciation allowance to be transferred to the Major Repairs Reserve (MRR) to fund the capital programme is £11,792,190, (no change to the November MTFS). A summary of the 2017/18-2018/19 capital programme is shown in the chart below

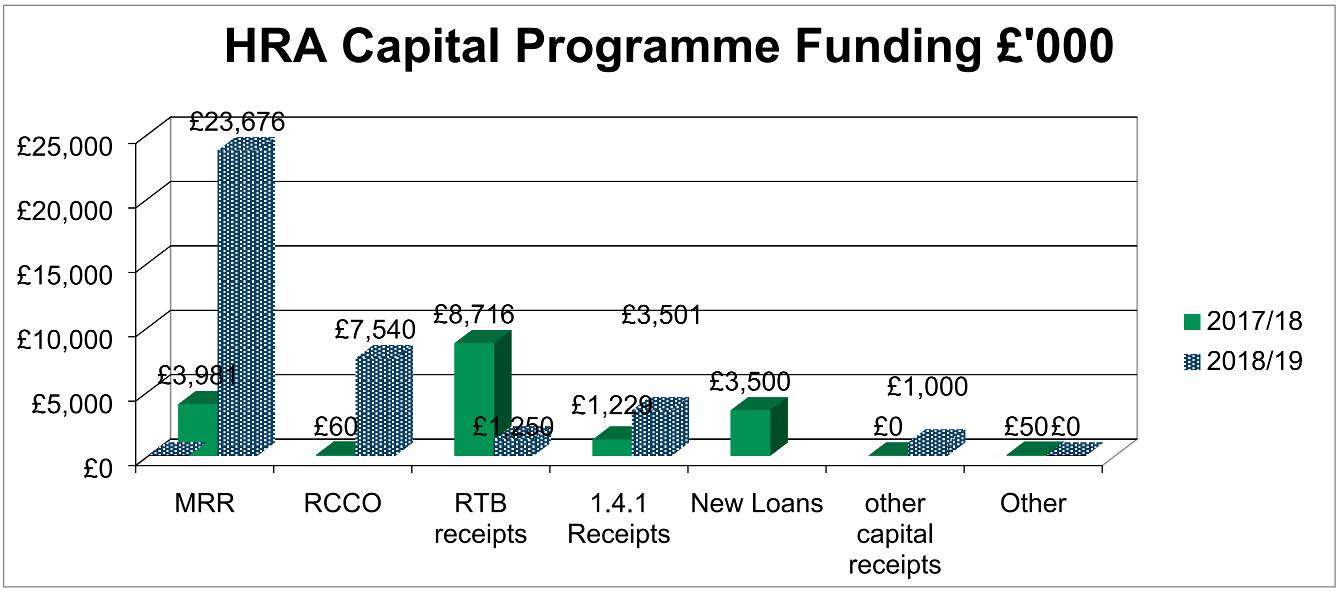


4.6.4 The increase in the size of the capital programme in 2018/19 compared to the 2017/18 programme, (as outlined in paragraph 4.6.1), is mainly funded from increased use of the Major Repairs Reserve (effectively depreciation balances from the HRA) and RCCO.

4.6.5 The 2018/19 draft HRA capital programme funding has changed from the HRA November MTFS update due to:

- Reduction in S20 receipts (£358,000) the BP had assumed the receipts would part fund the programme, however these have now been estimated for 2019/20 to allow for eligible works to be completed and invoices raised - **Reduces resources available in 2018/19 (increases resources in 2019/20)**
- Removal of the higher value voids levy from the 2018/19 capital programme (£732,000**) - Increases resources available in 2018/19**
- Reduction in estimated salaries charge to capital £42,000 (Increases resources available in 2018/19)
- Increase in New Build programme £30,000 - **Reduces resources available in 2018/19 (but increases use of 1.4.1 receipts).**
- Increase in debt provision receipts projected for 2018/19 £67,000- **Increases resources available in 2018/19**

4.6.6 The capital programme funding for 2017/18 and the draft HRA capital programme 2018/19 is summarised in the chart below



4.6.7 The current HRA Business Plan does not assume borrowing above the government imposed borrowing cap (£217.685Million). The 2017 Autumn Statement announced the Government will be lifting borrowing caps for councils in areas of high affordability pressure. Local authorities will be able to bid for increases in their caps from 2019/20, up to a total of £1 billion by the end of 2021/22. However, the rules on how Authorities can do this have yet to be published but the Government has notified councils that it intends to set out detailed arrangements shortly. The Government anticipates that the additional borrowing could help local authorities to build replacement homes sold under the right to buy, or be used alongside Affordable Homes Programme grant. These measures in the Budget and the reforms announced in the Housing

White Paper by the government reflect their desire to raise housing supply to 300,000 per year by the mid 2020s.

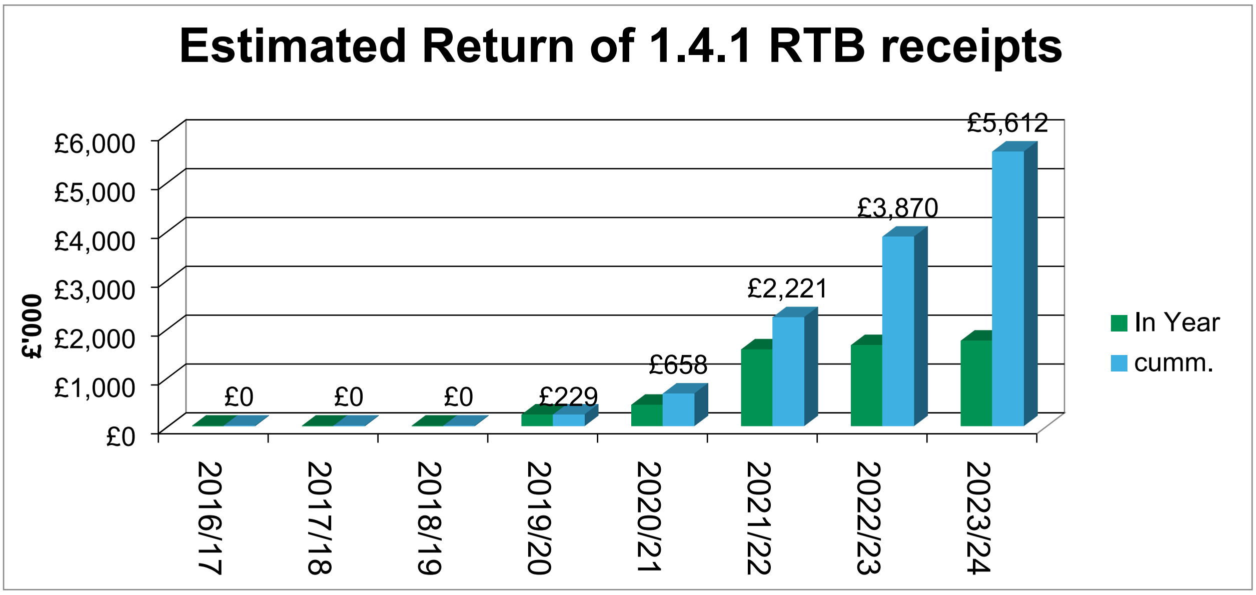
4.7 Use of One for One Receipts

4.7.1 The new build programme was introduced in 2012/13 alongside HRA self-financing. The revised November 2014 HRA Business Plan projected 1,900 properties over a 30 year period with 559 properties to be built/acquired in the first ten years, spending an estimated £416Million. The 2017 Business Plan increased funding to £453Million with an estimated 1,986 new council homes and 88 replacement properties.

4.7.2 Despite having an ambitious new build programme, the value of 1.4.1 receipts has continued to increase as house prices and the number of RTB's have risen. However to date only £3.9Million of receipts have been returned to the Government to avoid the punitive interest rate penalties (4% above the bank of England base rate).

4.7.3 Based on the current capital programme and estimated 1.4.1 receipts, no receipts need to be returned in 2017/18 and 2018/19. However these projections are very much dependent on the level of sales and profiling of capital expenditure, the sales for the current year are estimated to be 42 which is lower than the 50 sales originally budgeted for.

4.7.4 The chart below identifies that there will be some 2016/17 receipts which may need to be returned in 2019/20, future years projections are based on estimated sale receipts. Officers will keep this under review to minimise the cost to the HRA.



4.8 Draft Budget Proposals

4.8.1 The Draft HRA budget is estimated to be a net expenditure of £2,618,690, which is a reduction of £355,359 over that reported in the Financial Security report to the November Executive. The reasons for the changes are summarised in the table overleaf.

Summary of 2018/19 budget movements		
November MTFS (28 November 2017 Executive)		**£2,974,049**
Increases in Income/Reductions in Expenditure:		
Additional Rental Income	(£6,310)	
Other fees and charges- caretaking	(£106,010)	
Other fees and charges	(£15,220)	
Revenue contribution to capital	(£440,500)	
Interest receivable	(£20,120)	**(£588,160)**
Increases in Expenditure:		
Additional employer pension costs	£72,560	
Net increase in recharges between HRA and GF	£136,410	
other minor changes	£23,831	**£232,801**
Total Changes:		**(£355,359)**
Draft HRA 2018-19 budget		**£2,618,690**

4.8.2 The largest increase in fees and charges relates to the increase in caretaking staff charged as part of service charge recovery, this is outlined in paragraph 4.2.2 above.

4.8.3 Revenue Contribution to Capital or RCCO has reduced by £440,500, this is a result of the removal of the HVV levy from the 2018/19 draft HRA capital programme and the other movements in the capital programme and funding as outlined in paragraph 4.6.5.

4.8.4 Interest on HRA balances has increased over that estimated based on a 0.7% investment rate achieved and is calculated based on average projected HRA balances for 2018/19.

4.8.5 There has been an increase in the employer pension costs as the number of HRA employees in the pension scheme has increased, compared to that previously estimated. All new employees are automatically enrolled in the pension scheme and must opt out if they want to leave the scheme. The current pension contribution for 2018/19 is 18.5% of gross pay including overtime and other pay elements.

4.8.6 There has been an increase in net recharges from the General Fund to the HRA of £136,410 over that budgeted. The total net recharges to the HRA are £5,259,040 for 2018/19 and the increase represents 2.59% of the overall budget. Recharges have been updated to reflect the new Assistant Directors responsibilities but are still being reviewed and may change between the draft and final HRA budget.

4.8.7 The 2018/19 HRA projected budget is now net expenditure of £2,618,690, the summary of balances is shown in the table below. All HRA balances in excess of the minimum balances held for assessed risks in year, are required to fund the HRA 30 year capital programme. The 2018/19 minimum balances is based on the amount contained within the HRA business plan.

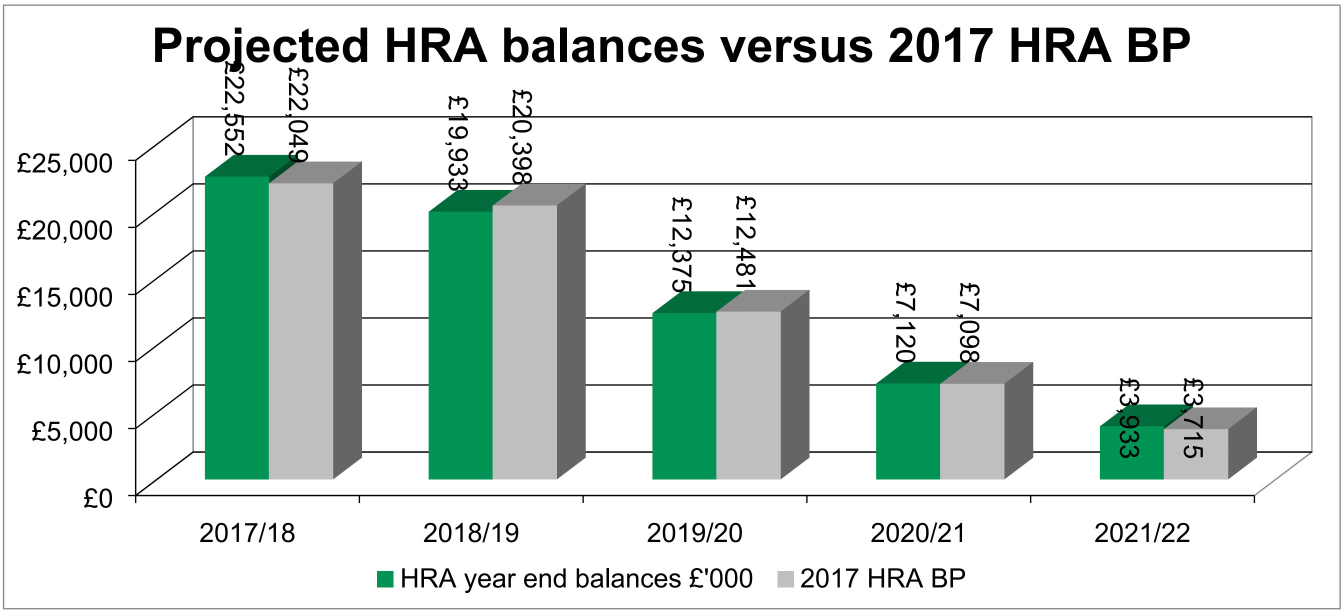
HRA Balances:	2017/18 £	2018/19* £
HRA Balance 1 April	(£19,749,571)	(£22,551,825)
Use of balances in Year	(£2,802,253)	£2,618,690
HRA Balance 31 March	(£22,551,825)	(£19,933,135)
Minimum Balances	(£1,947,740)	(£2,074,000)

** subject to confirmation at the January Executive*

4.8.8 The Assistant Director (Finance and Estates) will be risk assessing the level of balances required in 2018/19 for the HRA. This will be included in the final HRA budget report to the January Executive and Council.

4.8.9 The HRA projected year-end balances as at 31 March 2019 are now projected to be £19,933,135. However balances reduce in the next few years and Members will be aware that there is currently a deficit in future years in the business plan.

4.8.10 The 2017/18 and 2018/19 HRA balances seem relatively high, however Members should remember that the Business Plan showed a significant reduction in HRA reserves over the next few years and for a number of years minimum balances are held within the business plan, together with a deficit of £27Million over the 30 year plan. The reduction in HRA balances is shown in the table below and there is a significant use of HRA reserves of £18.619Million between the period 2017/18 and 2021/22. The business plan does assume this level of reduction.



4.8.11 The 2021/22 HRA projected balance is £218K higher than the 2017 Business Plan, however this is because £732K of HVV has been removed in 2018/19 and in addition higher service charges (mainly from caretaking) have absorbed the impact of some of the growth approved at the November Executive. Members will be aware that there was a £27Million deficit in the 2017 HRA business plan and an annual savings target. Furthermore with balances circa £3Million, there is much less ability to absorb the impact of unplanned expenditure or loss of income.

4.9 Consultation

4.9.1 The Housing Management Board (HMB) acts as an advisory body to the Executive for council housing-related matters, including participation in the HRA budget-setting process and the development of the HRA Business Plan. HMB currently includes one leaseholder and five tenant representatives in addition to Member and officer representation. Its terms of reference allow for up to ten customer representatives in total.

4.9.2 HMB reviewed the draft revised Rent and Service Charge Policy at their meeting on 27 October 2016 and broadly supported proposed revisions at that time. No further changes to the policy have been made since then.

4.9.3 Proposals for a revised HRA Business Plan were agreed by the Executive at their meeting in November 2016. These proposals included investment plans to support commitments relating to new build, existing housing assets and service improvements and also a series of savings assumptions. The proposals were developed with input from HMB via a number of working groups and presentation sessions.

4.9.4 HMB received a presentation on the revised HRA Medium Term Financial Strategy (MTFS) and refreshed HRA Business Plan assumptions (including savings targets) in August 2017. Their comments were reported within the HRA MTFS Executive report in September 2017.

4.9.5 The draft HRA budget and rent setting proposals contained in this report are scheduled to be presented to HMB at their meeting on 3 January 2018 and their comments will be fed back to the Executive prior to the final budget report being recommended to the Council.

4.9.6 Targeted consultation will be carried out with staff, customers and stakeholders directly affected by the financial security options agreed by the Executive in November 2017. All tenants will be notified of changes to their rent and service charges in February/March 2018.

4.9.7 In addition as referred to in paragraph 4.2.1, there are plans to review service charges ahead of implementing a new and more transparent service charge model in 2019/20. This review will include consideration of both service charges and support charges and will involve consultation with tenants and leaseholders.

4.10 Leaders Financial Security Group

4.10.1 The LSFG chaired by the portfolio holder for Resources on behalf of the Leader and with cross party representation has been meeting frequently since August 2016. The group has;

- Reviewed the HRA assumptions regarding the 2018/19 onwards saving target
- Review of the HRA MTFS assumptions
- Review of the HRA 2018/19 Financial Security package
- Reviewed the HRA 2018/19 Fees and charges

4.10.2 The LSFG considered the options above and scored the Financial Security options, growth and fees and charges for inclusion in the draft HRA budget.

5. IMPLICATIONS

4.3 Financial Implications

5.1.1 Financial implications are included in the body of the report

4.4 Legal Implications

4.4.2 Legal implications are included in the body of the report

5.3 Staffing Implications

5.3.1 The unions are being consulted on the options approved at the November Executive on the 6 December 2017. Human Resources staff are co-ordinating centrally the implementation of any staff related savings. However there are no compulsory redundancies within the options for the HRA

5.4 Risk Implications

5.4.1 There is considerable risk in setting HRA spend as there have been so many government policy changes concerning rent and welfare reforms, making medium to long term planning difficult. Between 2014/15-2016/17 there were three different rent policies which when compared to the 2014 HRA business plan showed a loss of income of some £253Million, (this includes updated assumptions about rent increases, inflation and RTB's). The government has indicated that beyond 2019/20 rent increases will be based on CPI+1%, however policy could change.

5.4.2 There are still significant risks to the HRA with the future impact of HVV levy, the draft HRA budget has removed the cost in 2018/19 based on the government's plan to extend pilots. However there is a risk it could still be introduced in 2018/19 and future years. The impact over the remaining 28 years of the 30 year business plan is estimated to be £29Million, however without the publication of the regulations the impact could be much more adverse.

5.4.3 There is the impact of Universal Credit (UC) and other welfare reforms on tenants, currently 54% or £20Million of benefit is paid to the HRA from the benefits system rather than to tenants and experience has shown that for other local authorities, arrears have increased significantly with the roll out of UC.

5.4.4 There is a potential adverse financial impact on the HRA as a result of high inflationary pressures, when rents are supressed. If inflation rises above that assumed in the business plan, as a result of for example BREXIT, further reductions in spend may need to be made. In addition there already is a £27Million deficit in capital funding over the 30 year programme.

5.4.5 Since 2012/13 the RTB discount has increased from £34,000 to £78,600 in 2017/18. Reducing the cost of purchase for a property has a double negative effect on the HRA, not only does it lose the rental supporting the capital programme it also cannot afford to replace the property with the resulting receipt.

5.4.6 As a result of the number of risks outlined above the authority has not borrowed up to the debt cap. The head room of £9Million which will be reviewed annually allows for land to be transferred into the HRA to meet its house building ambitions and also to address any shortfalls in funding identified as a result of the risks mentioned above. The Council now has the opportunity to bid to increase the level of debt it can have through measures announced in the Autumn Statement in November 2017, however the Council has to demonstrate that it is an area of high demand and the additional debt has to be affordable to the HRA. If SBC chooses to bid and is successful, funding would not be available until 2019.

5.4.7 The level of growth approved in the Financial Security report to the November Executive would not be financial sustainable year on year, furthermore the HRA has an annual Financial Security target to achieve, which for 2019/20 is £365,000.

5.4.8 The financial impact of any health and safety recommendations as a result of the Grenfell fire and subsequent new regulations is still to be fully understood and funded. The capital cost could be in excess of £2Million subject to decisions being taken regarding specific works and there would be on-going some revenue implications.

5.5 Equalities and Diversity Implications

5.5.1 In carrying out or changing its functions (including those relating to the provision of services and the employment of staff) the Council must comply with the Equality Act 2010 and in particular section 149 which is the Public Sector Equality Duty. The Act replaced three previous equality legislations – the Race Relations Act (section 71), the Sex Discrimination Act (section 76A) and the Disability Discrimination Act (section 49A). The Council has a statutory obligation to comply with the requirements of the Act, demonstrating that as part of the decision-making process, due regard has been given to the needs described in the legislation. These duties are non-delegable and must be considered by Council when setting the budget in January 2018.

5.5.2 To inform the decisions about the Budget 2018/19 officers have undertaken Brief Equality Impact Assessments (EqIAs) for service-related budget savings proposals. Where there is a potentially negative impact, officers have identified further action needed to inform a final decision and to mitigate the impact where this is possible. These EqIA were included in the November Report and will be appended to the final HRA Budget report together with an EQIA for the rent and service charges increase for the January Executive.

BACKGROUND DOCUMENTS

BD1 Housing Revenue Account Medium Term Financial Strategy (2017/18-2021/22) - September Executive
http://www.stevenage.gov.uk/content/committees/182083/182087/182091/Executive-19-September_2107-Item5.pdf

APPENDICES

Appendix A - Draft HRA Summary